

## **DECISION MEMORANDUM**

**TO: COMMISSIONER KJELLANDER  
COMMISSIONER REDFORD  
COMMISSIONER SMITH  
COMMISSION SECRETARY  
COMMISSION STAFF  
LEGAL**

**FROM: WELDON STUTZMAN  
DEPUTY ATTORNEY GENERAL**

**DATE: AUGUST 12, 2011**

**SUBJECT: UNITED WATER IDAHO'S GENERAL RATE CASE,  
CASE NO. UWI-W-11-02**

On August 3, 2011, United Water Idaho Inc. filed an Application to increase its rates and charges for water service effective September 2, 2011. United Water provides water service to business and residential customers in Boise, and currently provides service to approximately 85,000 customers. United Water proposes to increase its rates an overall average of 19.89%, resulting in an annual revenue increase of \$7,616,015. The Company proposes to increase the bi-monthly customer charge from \$18.10 to \$23.20 for customers served by a 5/8-inch and 3/4-inch service line. Customers served by a 1-inch service line would see an increase in their customer charge from \$23.79 to \$29.70.

United Water also proposes increases in its usage rates. Specifically, the volumetric charge for water used during the winter would increase from \$1.3521 to \$1.5710 per CCF. A CCF is 100 cubic feet of water and equals 748 gallons. The volumetric charge for water used during the summer would increase to \$1.5710 per CCF for consumption less than 3 CCF and increase to \$1.9639 for all water use greater than 3 CCF. The Company estimates that these rates would increase the water bill for an average residential customer by \$5.82 per month.

United Water states it has invested more than \$20 million in its system since its last rate case. These capital improvements include a new well supply treatment facility at the Hilton well, a new 600,000-gallon water storage facility serving the Warm Springs Mesa area, installation of 1.7 miles of new 24-inch water main along Hill Road to improve pressure and fire protection, and replacing water mains, service lines and meters throughout the system. United

Water is also investing \$5.5 million in a new customer information system. In addition, the Company asserts that average water consumption per metered customer has declined significantly over the past several years resulting in lower annual revenues to the Company. This reduction in annual revenue makes up roughly 38% of the Company's overall rate request.

The Company's proposed rate increases include a proposed return on equity of 10.50%, resulting in an expected overall rate of return of 8.43%. The Company asserts its current rate structure results in a rate of return of 5.64% based on a test year ending April 30, 2011.

Staff recommends the Commission issue a Notice of Application and Notice of Intervention providing a 14-day period for interested parties to file Petitions to Intervene. Staff also recommends the Commission suspend the proposed effective date of September 2, 2011, for the new rates for a period of 30 days plus 5 months as authorized by *Idaho Code* § 61-622.

#### **COMMISSION DECISION**

Should the Commission issue a Notice of Application and Notice of Intervention, and suspend the proposed effective date of September 2, 2011, for a period of 30 days plus 5 months?

A handwritten signature in black ink, appearing to read 'WBS', followed by a horizontal line.

Weldon B. Stutzman  
Deputy Attorney General

bls/M:UWI-W-11-02\_ws